

**CESR Consultation paper
Transaction reporting on OTC derivatives and
extension of the scope of transaction reporting**

FBF'S RESPONSE

General remarks:

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorised as banks and doing business in France, *i.e.* more than 500 commercial, cooperative and mutual banks. They employ 500,000 people in France and around the world, and serve 48 million customers.

First of all, the FBF welcomes the opportunity given by CESR to give its views on the different aspects contained in this consultation regarding transaction reporting of OTC derivatives. Moreover, the FBF would like to emphasise that French Banks are committed to support all initiatives which will satisfy both their clients' needs (which imply tailor-made solutions for them) and the integrity and soundness of the whole financial system, in order to prevent any systemic risk.

However, at the same time, the FBF would like to express its disappointment about **the short timeframes given to the industry to respond to such major issues** and to the other consultations that are on going in parallel. Such short timing inevitably impinges on the quantity of input that can be collected for the FBF's responses, and therefore ultimately also on the quality of the industry's feedback.

I] Possible ways to organise transaction and position reporting on OTC derivatives

Preliminary comments

Firstly, the FBF welcomes that the European Commission has asked for CESR's views on how best to arrange the flow of information to be provided by investment firms to regulators for transaction and position reporting purposes and that CESR was particularly requested to consider the objective of minimizing any double reporting for investment firms.

Secondly, the FBF totally approves the overarching principles described by CESR on para 13 in order to organize the reporting of transactions and positions in the EU, and we would like to insist particularly on the use of Trade Repositories **to avoid duplication of reporting**.

Option 1: Establish a single reporting regime for both transaction and position reporting on OTC derivatives, based on reporting through trade repositories.

Option 2: Define a new position reporting regime through trade repositories and allow MiFID transaction reporting through trade repositories

Q1: Do you agree with the solution proposed by CESR for the organization of transaction and position reporting on OTC derivatives?

The FBF agrees with CESR's reasoning and the definition of a new position reporting obligation through trade repositories. Such an obligation is necessary to monitor systemic risk and improve prudential supervision. However, we believe the definition of the position reporting shall be more explicit.

Therefore, **in a short term view**, we favor option 2 with respect to the disadvantages of the possible option 1 in general and to the advanced work on transaction reporting of OTC derivatives through the existing transaction reporting exchange mechanism (TREM) under MiFID in particular.

However, regarding the implementation of the reporting regime, the FBF underlines that the following elements shall be taken into account:

- mitigation and minimization of costs for investments firms ;
- avoidance of multiple reporting channels or mechanisms ;
- maximum possible centralization ;
- and maximum harmonization and simplification of reports and report contents between European regulators (clearly and unambiguously defined) in order to ensure a level-playing field and consistency if interpretation and implementation.

Q2: Do you have any other views on the possible ways to organize transaction and position reporting on OTC derivatives?

III] Extension of the scope of transaction reporting obligations

Preliminary comments

Q3: Do you agree with the extension of the scope of transaction reporting obligations to the identified instruments?

CESR is considering to propose to the European Commission to extend, through a change in Article 25 of MiFID, the scope of transaction reporting obligations to financial instruments that are admitted to trading only on MTFs and to OTC derivatives.

As we answered to the European Commission consultation dated July 2010 on the review of the Market Abuse Directive, the FBF favors an extension of transaction reporting to financial instruments listed on MTF. With respect to OTC derivatives, derivatives transactions whose underlying is within the scope of the MAD should be reported.